

New Jersey's Financial Services Cluster

Prepared
Winter 2012–2013



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Produced by the
Office of Labor Planning and Analysis
of the
New Jersey Department of Labor and Workforce Development



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Introduction

The financial services industry is a vital component not only of New Jersey's economy, but for the U.S. and global economies as well. It provides the fuel that **promotes job creation** and **sustains economic growth and innovation**.

A robust finance industry

- Provides businesses with new ways to lower the cost of capital
- Stimulates global investment and trade
- Presents investors with a wide array of products and services to increase return and manage risk

Industry Description / Overview

The industry encompasses a broad range of organizations that deal with the management of money. Some of these organizations conduct transactions involving the creation, liquidation, or change in ownership of financial assets. Others act as facilitators of these financial transactions.



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Industry Description

Financial services firms fall under three main categories due to the nature of their transactions:

- Banking
- Securities and Commodities
- Insurance

Among the organizations in these categories are commercial banks, credit card companies, insurance companies, consumer finance companies, stock and commodity brokerages, and investment funds, as well as some government-sponsored enterprises.

The main activities in this industry include

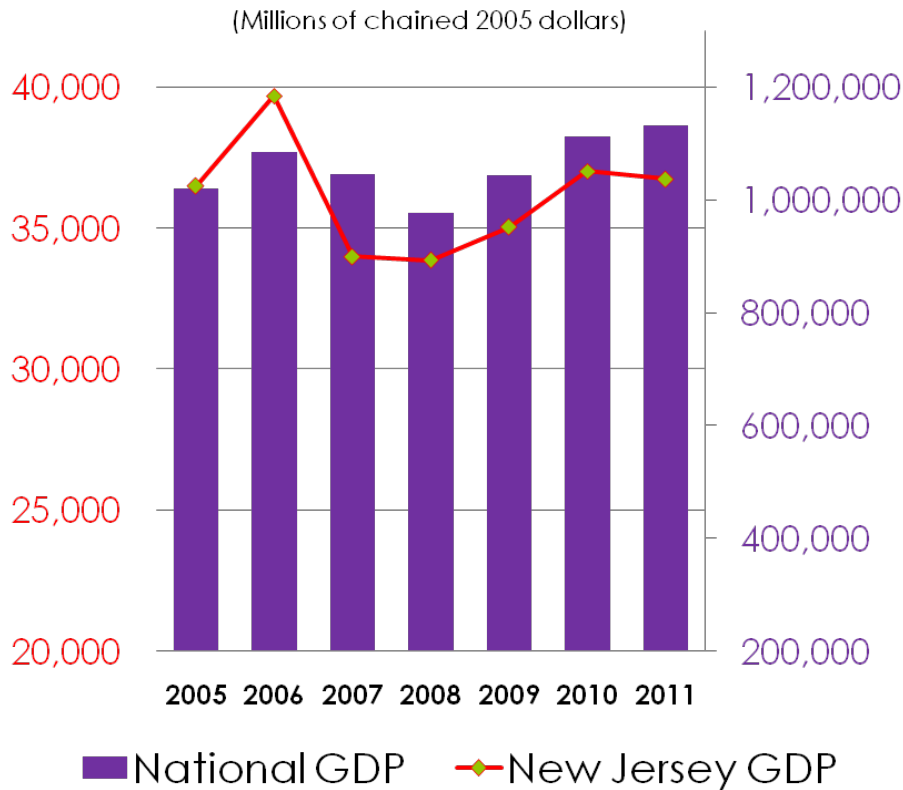
- Taking deposits and/or issuing securities
- Pooling financial risk by underwriting insurance and annuities, and
- Providing specialized services facilitating or supporting financial intermediation, insurance, and employee benefit programs.



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Gross Domestic Product of the Financial Services Sector



According to the Bureau of Economic Analysis, in 2011, financial services organizations conducted transactions that equated to more than \$1.13 trillion (8.6% of the nation's total Gross Domestic Product).

In New Jersey alone, the financial services industry contributed almost \$37 billion. Even with a relatively small share of total employment, New Jersey's financial services sector accounts for almost 9% of gross *state* product.

In terms of just financial services, New Jersey accounts for 3.2 percent of the entire nation's GDP for this sector.

Source – U.S. Bureau of Economic Analysis

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Industry “Fast Facts”

- In 2011, New Jersey’s financial services industry workforce consisted of approximately 184,000 workers, accounting for almost 6 percent of all jobs in New Jersey.
- From its peak in 2006 to 2011, New Jersey’s financial services industry saw a decline in employment of 11.1 percent.
- the insurance carriers and related activities component, combined with the credit intermediation and related activities component, made up 74 percent of New Jersey’s financial services employment in 2011.
- Annual average wages for workers in the cluster increased 15.4 percent from 2006 to 2011.

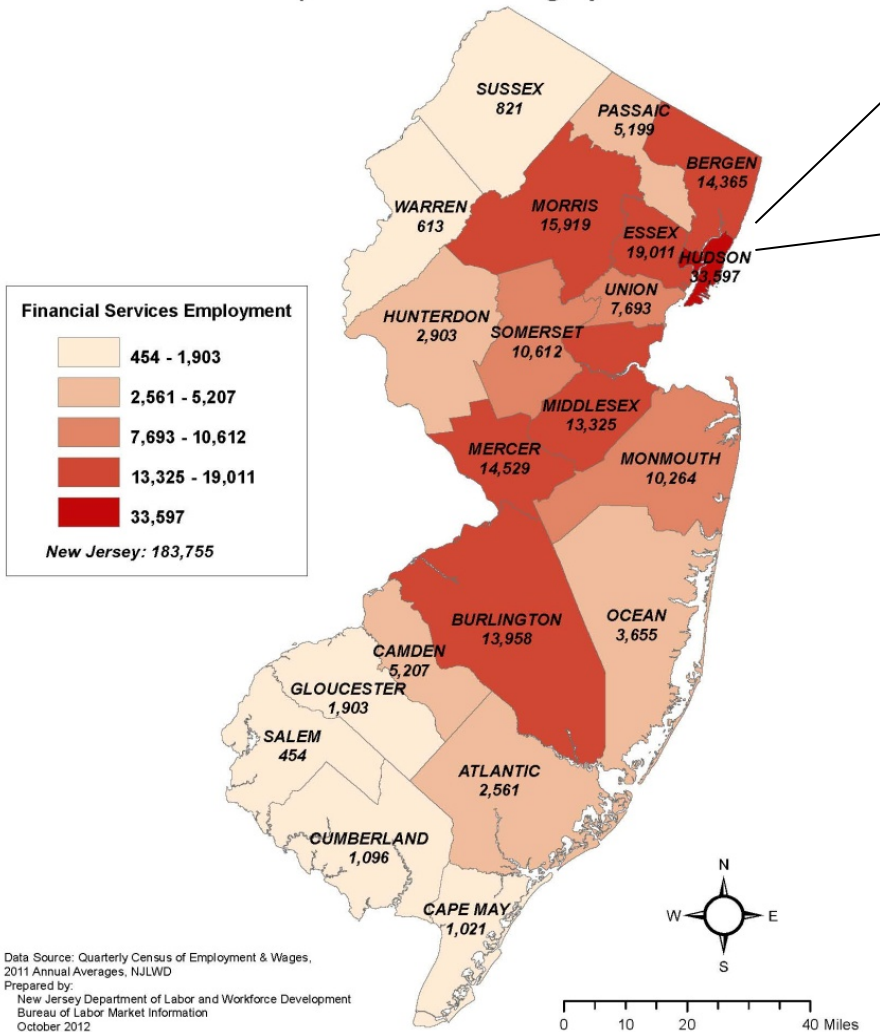
Source: NJLWD, Quarterly Census of Employment and Wages, Annual Averages
Prepared by New Jersey Department of Labor & Workforce Development, October 2012



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Financial Services Employment New Jersey Counties (2011 Annual Averages)



Hudson County is New Jersey's smallest county (by land area), yet it is home to far more of the state's financial services workers than any other county. With almost 34,000 industry jobs, Hudson county (located closest to Manhattan) accounts for over 18 percent of New Jersey's financial services sector employment.

Over 45 percent of the state's financial services sector employment is located in only four counties: Hudson, Essex, Morris and Bergen.



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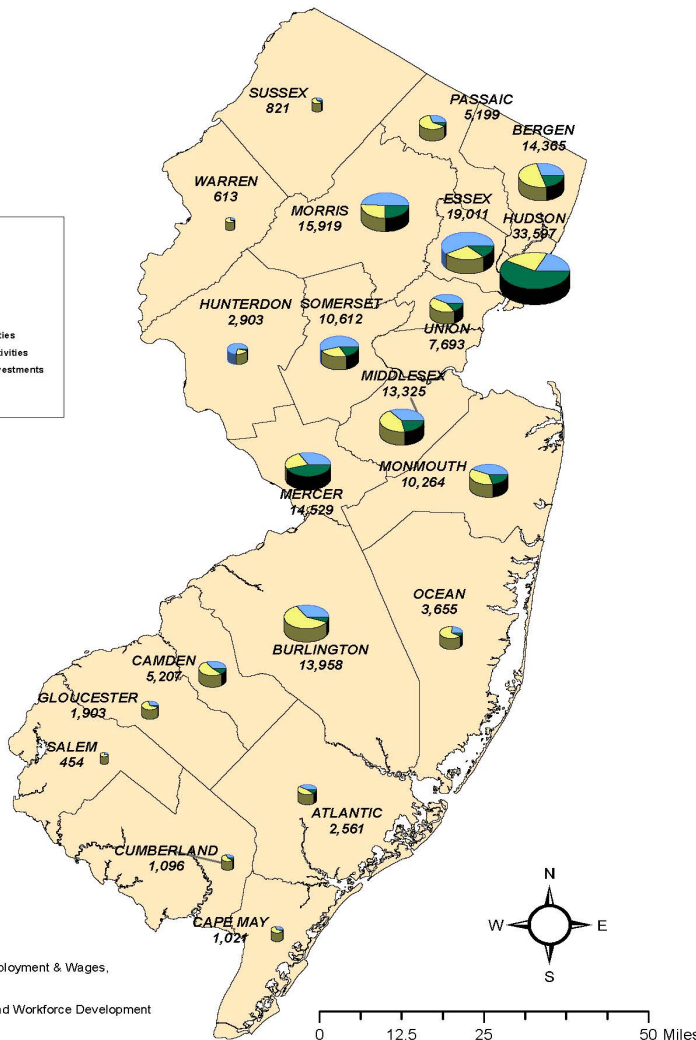
Financial Services Employment by Industry Sector New Jersey Counties (2011 Annual Averages)

Financial Services Employment
2011 Annual Averages



Insurance carriers and related activities
Credit intermediation and related activities
Securities, commodity contracts, investments

New Jersey: 183,755



Data Source: Quarterly Census of Employment & Wages,
2011 Annual Averages, NJLWD
Prepared by:
New Jersey Department of Labor and Workforce Development
Bureau of Labor Market Information
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Hudson County is home to the highest percentage of the state's securities, commodities, and other financial investments component of the financial services industry, while the insurance carriers component is most highly represented in Morris, Essex and Somerset counties.

The credit intermediation component accounts for the largest percentage of all of Southern New Jersey's finance industry employment, mostly in the form of bank branches.

Employment % by Region

Northern NJ	54.5%
Central NJ	28.5%
Southern NJ	14.3%
Undistributed	2.7%



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Subsector Breakdown

The financial services industry is broken down into the following five subsectors:

2011 Annual Averages				
NAICS Description		Establishments	Employment	Wages
521	Monetary Authorities – Central Bank	9	168	\$113,301
522	Credit Intermediation and Related Activities	5,249	67,422	\$73,781
523	Securities, Commodities, and Other Financial Investments and Related Activities	3,175	46,576	\$168,105
524	Insurance Carriers and Related Activities	4,051	68,574	\$98,298
525	Funds, Trusts, and Other Financial Vehicles	174	1,012	\$122,659

The insurance carriers and related activities component, combined with the credit intermediation and related activities component, made up 74 percent of New Jersey's financial services employment in 2011. When the securities, commodities, and other financial investments and related activities subsector is added, the three components account for 99.4 percent of employment.

Source: NJLWD, Quarterly Census of Employment and Wages, 2011 Annual Average
Prepared by New Jersey Department of Labor & Workforce Development, October 2012



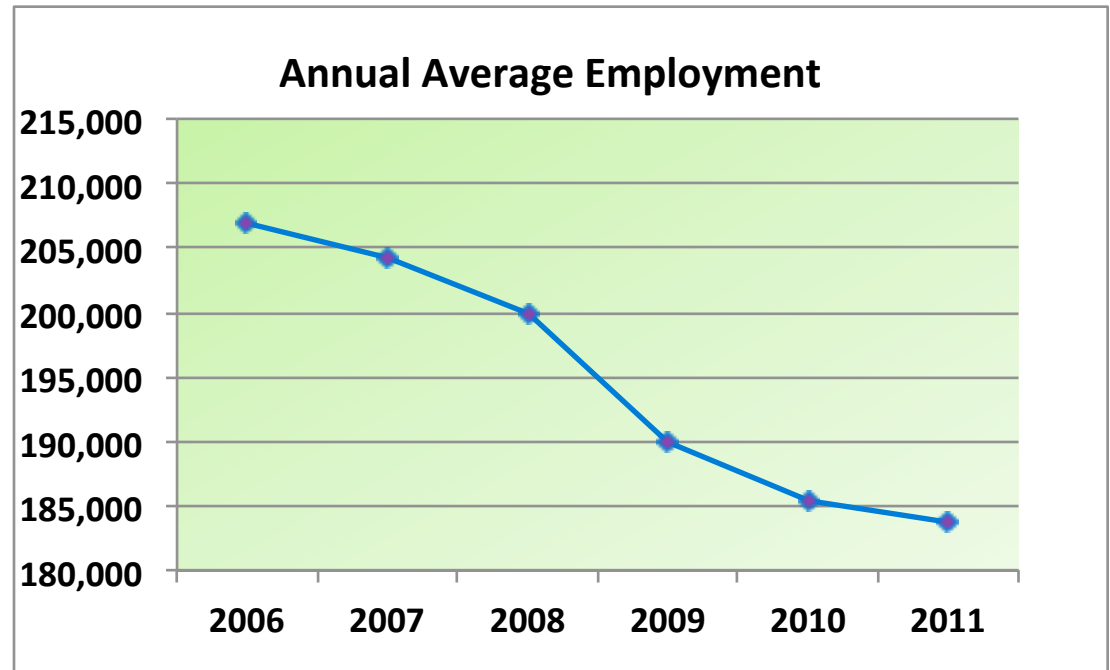
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Employment

The financial services industry cluster began to show a loss in employment even before the start of the recent recession (December 2007–June 2009).

New Jersey's financial services sector lost 11.1 percent of its employment base from its most recent peak in 2006 to 2011, compared to an only 8.2 percent decline in the sector at the national level. This reflects the significant effect the industry cluster has on the state's inhabitants and the harsh impact of the recession. There are currently about 184,000 financial services workers employed in New Jersey.



Source: NJLWD, Quarterly Census of Employment and Wages, Annual Averages
Prepared by New Jersey Department of Labor & Workforce Development, October 2012



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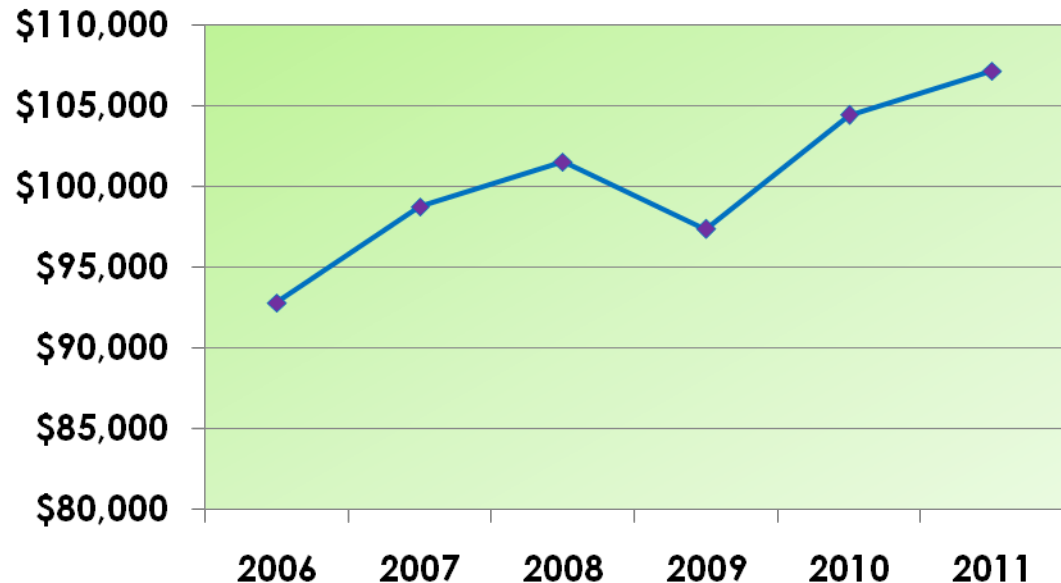
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Industry Wages

Almost \$19.7 billion in total wages was paid by New Jersey's employers in financial services industries in 2011.

With an annual average wage of \$107,144, the sector's employees are paid (on average) 21.4 percent higher than those of the rest of the nation, 88.3 percent higher than the state average for all industries, and well more than double the nation's annual average wage for all industries (an astounding 124.1 percent higher).

Annual Average Wages



Source: NJLWD, Quarterly Census of Employment and Wages, Annual Averages
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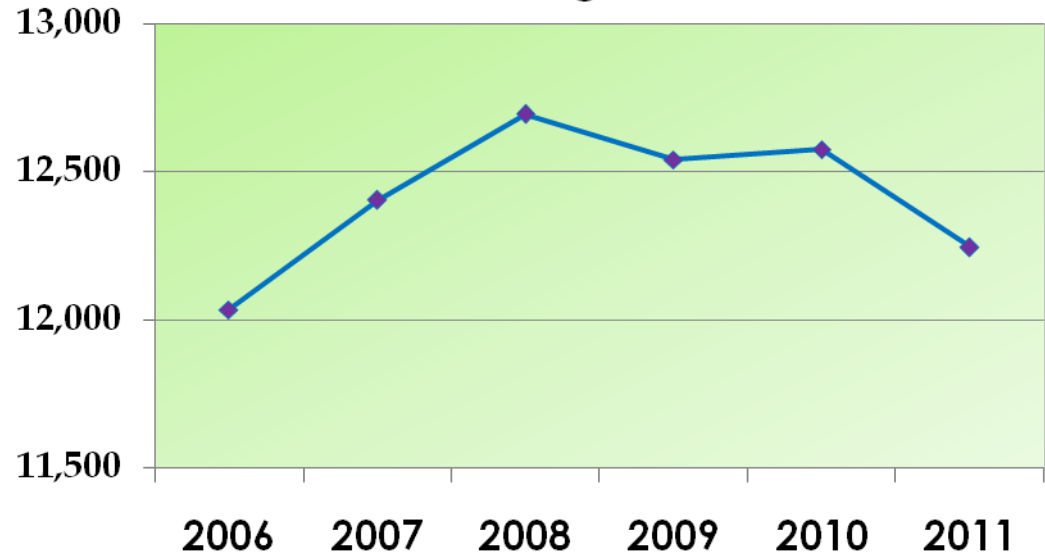
Establishments

Even in times of recession, establishment counts do not necessarily mirror employment declines. As many banks merged and consolidated over the 2006 – 2011 period, they could not afford to close doors. Bank branches were forced to remain open to retain

area coverage so as not to lose customers to other banks. Many, of course, had to change their names and appearances.

Also over this period, several financial services firms moved from Wall Street to New Jersey for more competitive real estate levels and lower corporate tax rates.

Annual Average Establishments



Source: NJLWD, Quarterly Census of Employment and Wages, Annual Averages
Prepared by New Jersey Department of Labor & Workforce Development, October 2012



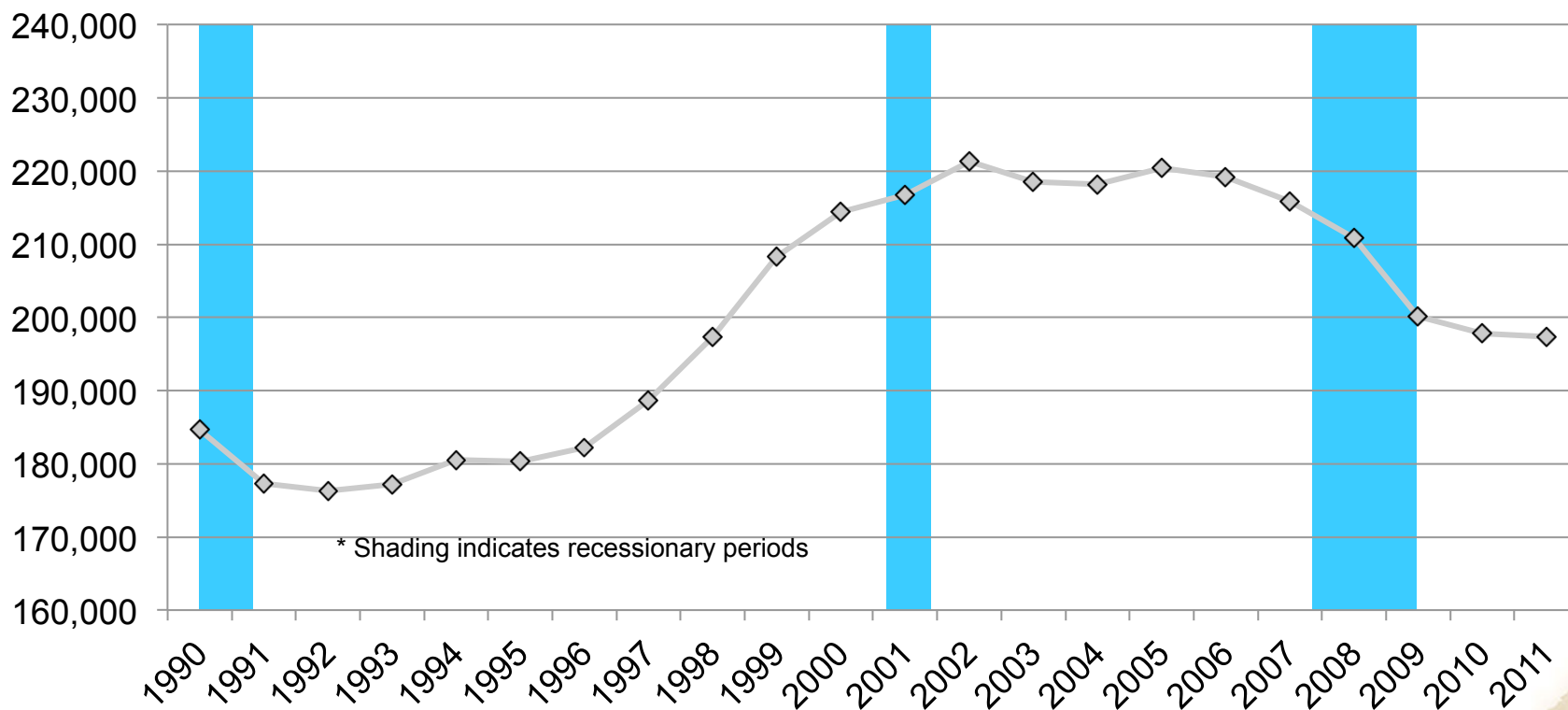
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1990–2011 Annual Average Employment

Current Employment Statistics Data

From 1990 – 2011, the financial services industry cluster still saw a net accumulation of jobs even after three recessions.



Source: NJLWD, Current Employment Statistics, Annual Averages
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Education Requirements of Top 10 Financial Services Occupations by Employment

More than 150 different occupations are identified in New Jersey's financial services industry. The top 10 occupations in the sector account for almost 102,000 jobs, or approximately 55 percent of the state's financial services employment.

Occupation	2011 Employment	2011 Annual Average Wages	Education Requirements
Bank Tellers	18,048	\$26,900	High school diploma or equivalent
Securities, Commodities, and Financial Sales Agents	14,672	\$99,440	Bachelor's degree
Customer Service Representatives	14,407	\$38,130	High school diploma or equivalent
Insurance Claims and Policy Processing Clerks	9,328	\$39,730	High school diploma or equivalent
Claims Adjusters, Examiners, and Investigators	9,250	\$67,070	High school diploma or equivalent
Insurance Sales Agents	8,930	\$73,500	High school diploma or equivalent
Financial Managers	8,472	\$141,880	Bachelor's degree
First-Line Supervisors/Managers of Office and Administrative Support Workers	7,872	\$61,770	High school diploma or equivalent
Secretaries, Except Legal, Medical, and Executive	5,547	\$38,330	High school diploma or equivalent
Financial Analysts	4,886	\$85,160	Bachelor's degree

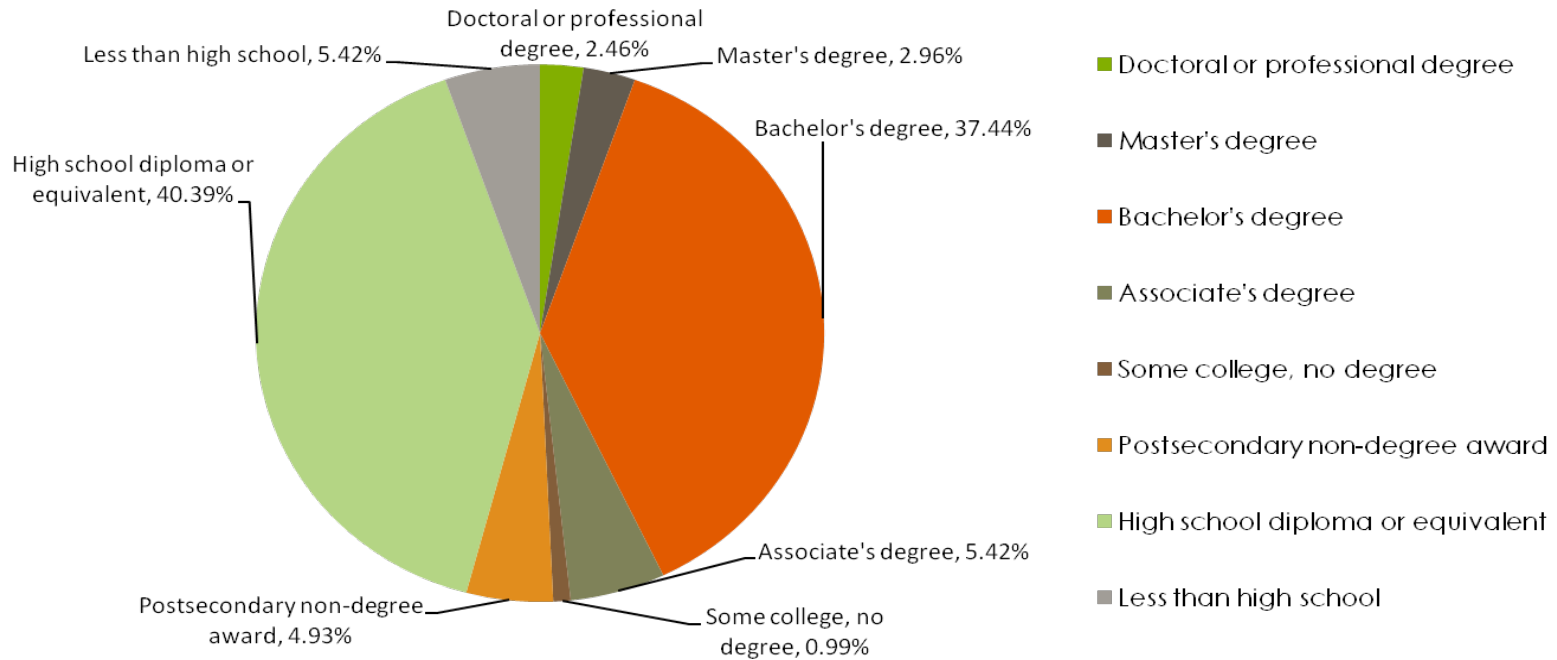
Source: NJLWD, Occupational Employment Projections Program; Occupational Employment Statistics Wage Survey 2011.
Prepared by: NJLWD Division of Labor Market & Demographic Research, Bureau of Labor Market Information, October 2012



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Education Requirements of Finance Cluster Workers



Some occupations have additional requirements such as licenses that workers must obtain.

- Securities brokers need a Series 7 license
- Series 63 or 66 for financial advisors
- CMB for mortgage bankers, etc.

Source: NJLWD, I/O Matrix data (2011) from Current Employment Statistics and Occupational Employment Statistics Wage Survey, May 2011.

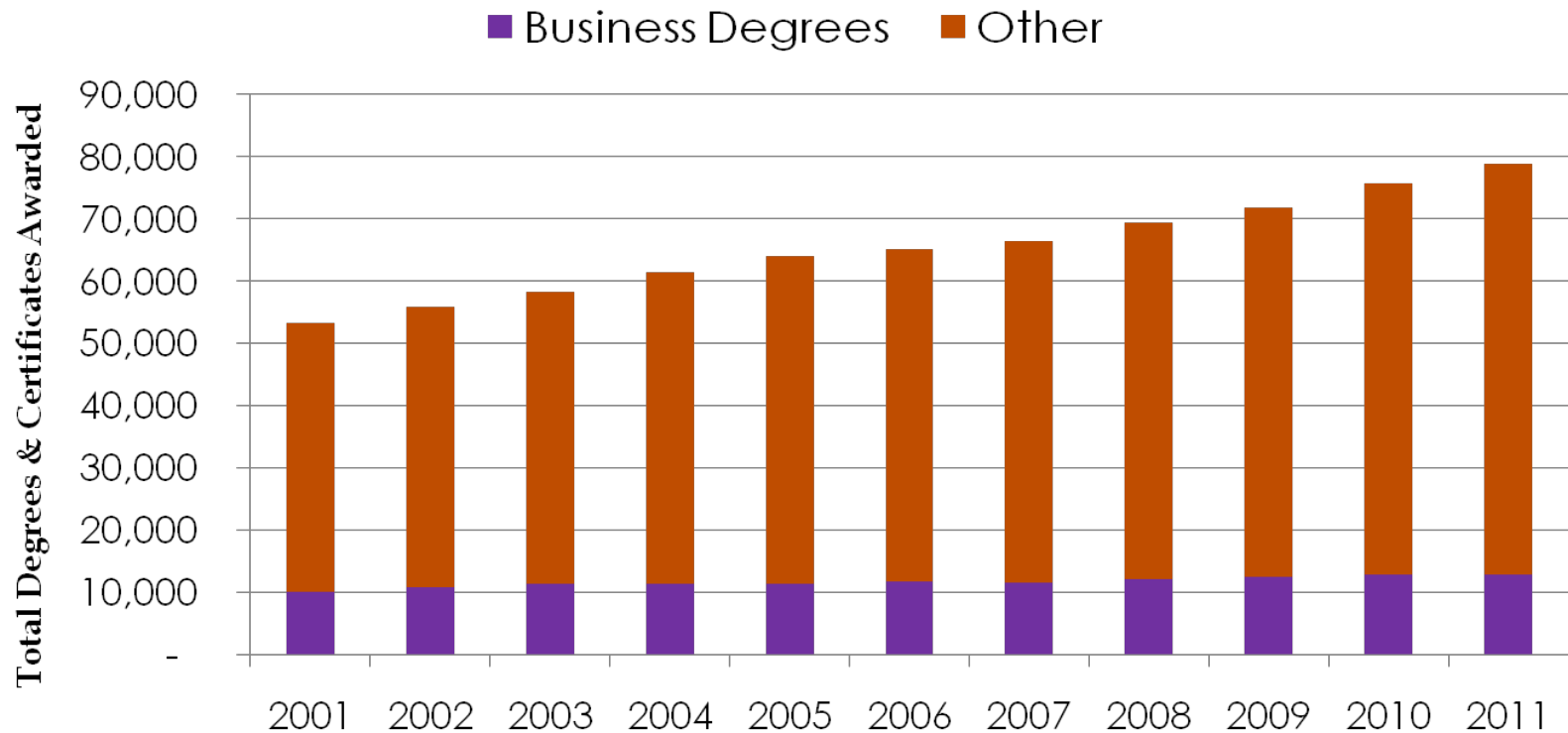
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Certificates and Degrees Awarded by New Jersey Institutions



The total number of degrees and certificates awarded to all majors has increased steadily over time. The outright number of business degrees has increased as well; however, their percentage of the total has decreased from 19.4 percent in 2002 to 16.3 percent in 2011.

Source: New Jersey Commission on Higher Education, Integrated Postsecondary Data System (IPEDS)
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A Few Major Developments in 2012

- Fidelity Investments expanded its Jersey City location by adding 600 workers, most of whom were relocated from New York. The number of workers brought in was said to include 240 new jobs.
- Bank of Tokyo-Mitsubishi has also expanded operations along Jersey City's waterfront, adding over 100,000 square feet of new space to its offices at Harborside Financial Center. The firm will be adding between 400 and 500 employees to the location, many of them coming from Japan.
- The Depository Trust and Clearing Corporation had already planned to move a large part of their nearly 2,000-person Northeast workforce from lower Manhattan to the Newport Office Center in Jersey City beginning in early 2013; however, Superstorm Sandy expedited the process when it damaged DTCC's New York headquarters.



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Projections

- According to industry and occupational projections, the top 10 finance industry cluster occupations in New Jersey (by employment) are expected to see an employment increase of 5.9 percent from 2010 to 2020, for a total of 16,000 added jobs.
- Financial analysts jobs are projected to grow at the fastest rate (19.5%) over the 10-year period, followed by securities, commodities, and financial services sales agents, which are projected to grow at a rate of 11.5 percent.



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Office of Labor Planning & Analysis

http://lwd.dol.state.nj.us/labor/lpa/LMI_index.html

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